

## **ECONOMIC ANALYSIS AND HEALTH CARE DECISIONS ISSUES**

**DM1**

### **INTERPRETING AND USING COST-EFFECTIVENESS RESULTS**

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The objective of public policy decision making is to choose the set of interventions that maximize the net benefit to society. Given a set of mutually exclusive interventions, the one with the lowest cost-effectiveness ratio is not necessarily the one that maximizes net benefit. Thus, a treatment with a higher cost-effectiveness ratio compared to baseline may result in higher net benefits if its incremental cost-effectiveness is less than the dollar value of the outcome. In this presentation we describe how to use cost-effectiveness results to determine the intervention that maximizes net benefit. We also show how cost-effectiveness results can be used to determine threshold values for the benefit at which one intervention has a higher net benefit than another. We then examine the effect of budget constraints on this decision making problem. We also present a graphical means of representing cost-effectiveness results that allow for easy interpretation and use of the results. We describe a simple rule for identifying the net benefit maximizing intervention from this graph. We will illustrate the issues discussed using examples from the medical literature. This workshop should be beneficial to health care decision makers who have to interpret cost-effectiveness results and incorporate them in their decision making process.

**DM2**

### **DISSEMINATION OF PHARMACOECONOMIC RESULTS TO MANAGED CARE ORGANIZATIONS**

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As the number of pharmacoeconomic studies has grown over the past five years, the information contained in these studies has not been consistently disseminated to managed care organizations (MCOs). In addition to the volume of these studies, many MCOs are not aware of the standards to which such studies should be held. We believe that these studies are best reviewed and disseminated by therapeutic class (or more narrowly). We will present an example of such a review that includes (1) the purpose of the study, (2) definitions and limitations of the condition reviewed, (3) the considered included in the study, (4) a listing and thorough review of all pharmaco-

economic studies (see below) considered, (5) statistical tests relating to publication bias, (6) conclusions, including economic consequences, recommended approaches, and limitations, (7) the expected cost impact (per member per month) on MCOs if the recommendation is adopted, and (8) the sensitivity of the recommendation to the prices of the alternative treatments. The thorough review of each pharmacoeconomic study will further address issues such as the perspective, alternatives, scientific rigor, measurement variables, complications, quality of life measures, time frame, and source of funding. To provide further consistency, any assumptions made (such as discount rate or cost of treatments) will be restated consistently among the studies. We believe that these results, consistently presented, will allow MCOs to make appropriate formulary and management decisions.

**DM3**

### **OUTCOMES RESEARCH IN MEDICATION USE: HCFA'S HEALTH CARE QUALITY IMPROVEMENT PROGRAM**

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Outcomes research can be used to great advantage in health care quality improvement efforts. The Health Care Financing Administration (HCFA) has reengineered the peer review program to follow this approach. The old style of peer review largely relied upon case review, in search of the "bad apple," a Quality Assurance (QA) approach. HCFA recognized that this approach created adversarial relationships and did little to improve the quality of health care. The new approach to health care quality improvement uses the principles of Continuous Quality Improvement (CQI) and modern methods of Outcomes Research to improve systems of care. HCFA calls this the Health Care Quality Improvement Program (HCQIP). Quality Improvement Organizations (QIOs) work in all US states and territories to improve health care for Medicare beneficiaries. These QIOs (formerly called PROs or Peer Review Organizations) collaborate with providers of health services, educational institutions, departments of health, consumer groups, and industry in projects designed to improve processes and outcomes of care in selected disease states and clinical problem areas. Many of these projects focus on medication use issues. Examples of these projects will be presented to the audience. Participants will be made aware of opportunities to collaborate on quality improvement projects at the state, regional, and national levels. This workshop is designed for individuals interested in improving health care through Outcomes Research and Continuous Quality Improvement.